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FREEMAN FINANCIAL CORPORATION LIMITED
民豐企業控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 279)

**MAJOR TRANSACTION -
SUBSCRIPTION OF REDEEMABLE CONVERTIBLE NOTE
OF HENNABUN CAPITAL GROUP LIMITED**

THE SUBSCRIPTION AGREEMENT

The Board announces that on 17 May 2011, the Company entered into the Subscription Agreement with Hennabun, pursuant to which the Company agreed to subscribe or procure the subscription by its nominee(s) of the Convertible Note of Hennabun at the Subscription Price in the principal amount of HK\$250 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription (when added together with the subscription of Hennabun Shares as described in the Company's announcement dated 3 March 2011) is more than 25% but less than 100%, the Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and accordingly, shall be subject to Shareholders' approval at the EGM by the way of poll.

EGM

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder.

A Circular containing, amongst others, further information on the Subscription, together with the notice of the EGM, will be despatched to Shareholders on or before 29 July 2011 to allow sufficient time for the preparation of an accountants' report and other financial information for Hennabun in accordance with the Listing Rules.

BACKGROUND

The Board announces that on 17 May 2011, the Company entered into the Subscription Agreement with Hennabun, pursuant to which the Company agreed to subscribe or procure the subscription by its nominee(s) of the Convertible Note of Hennabun at the Subscription Price in the principal amount of HK\$250 million.

The principal terms of the Subscription Agreement and the Convertible Note are detailed as follows:

THE SUBSCRIPTION AGREEMENT

Date

17 May 2011 (after trading hours)

Parties

- (1) The Company as the Subscriber
- (2) Hennabun as the issuer of the Convertible Note

As at the date of the Subscription Agreement, the Group directly owns 112,759,460 Hennabun Shares, representing approximately 30.04% of Hennabun's total issued share capital. In addition, the Group owns indirectly an effective interest of 1.94% in Hennabun through a private company incorporated in the British Virgin Islands with limited liability. The Group is the second largest shareholder of Hennabun. As of the date of the Subscription Agreement, the outstanding principal amount of the Outstanding Loan is HK\$250 million and the total accrued but unpaid interest is approximately HK\$1.9 million.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Hennabun and its ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company.

Subscription of Convertible Note

Under the Subscription Agreement, the Company agreed to subscribe or procure the subscription by its nominee(s) of the Convertible Note at the Subscription Price. The Subscription Price of HK\$250 million for the Convertible Note shall be satisfied upon Completion through setting off the principal amount of the Outstanding Loan.

Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:-

- (i) The Company having completed financial and legal due diligence review on Hennabun and its business and having notified Hennabun that the due diligence results are satisfactory provided that such notification shall not prejudice in any manner whatsoever any of the Company's right in respect of a claim pursuant to the warranties, representations and the undertakings given by Hennabun under the Subscription Agreement; and
- (ii) All requisite consents, license and approvals from any relevant government authorities, regulatory bodies or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the subscription and the issue of Convertible Note having been obtained.

If the Conditions are not fulfilled on or prior to 31 July 2011 or such later date as may be agreed between Hennabun and the Company in writing, the Subscription Agreement shall terminate. On termination of the Subscription Agreement, none of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims. The accrued and unpaid interest on the Outstanding Loan up to the Completion date shall be paid in cash or cheque by Hennabun to the Company on Completion.

Completion

Completion shall take place on the first Business Day following the fulfillment of all the Conditions (or such other time and date as the Company and Hennabun may agree in writing).

THE CONVERTIBLE NOTE

Principal terms

Principal Amount:	HK\$250 million
Interest:	the Convertible Note shall not bear any interest
Status:	unsecured
Conversion Price:	HK\$6 per Hennabun Share, subject to adjustments as set out in the terms and conditions of the Convertible Note.
Ranking of Conversion Shares:	the Conversion Shares shall rank pari passu in all respects with all other existing Hennabun Shares outstanding at the Conversion Date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the Conversion Date.
Conversion Period:	the period commencing from the date of issue of the Convertible Note up to (and excluding) the commencement of the seven calendar day period ending on (and including) the Maturity Date.
Conversion Rights:	the Company has the right to convert the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Note at any time during the Conversion Period at the Conversion Price. The conversion rights shall not be exercisable at any time when the Conversion Price is less than the par value of the Hennabun Shares. The exercise of the conversion rights is conditional on all consents or approval of any relevant governmental authorities, or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for such exercise and issue of Conversion Shares having been obtained, including all filings with any relevant governmental authorities or other relevant third parties in Hong Kong or elsewhere which are required or appropriate for such exercise and issue of Conversion Shares having been made.

Adjustments to Conversion Price:	<p>in the event that Hennabun shall (i) pay a dividend or make a distribution on the outstanding Hennabun Shares payable in cash or in specie, (ii) subdivide the outstanding Hennabun Shares into a larger number of shares, (iii) combine the outstanding Hennabun Shares into a smaller number of shares or (iv) issue any Hennabun Shares or effect a reclassification of Hennabun Shares, then, the Conversion Price in effect immediately prior to such event shall if necessary be adjusted so that the Company shall be entitled to receive the number of Hennabun Shares or other securities of Hennabun that the Company would have owned or would have been entitled to receive upon or by reason of any of the events described above, had the Convertible Note been converted immediately prior to the occurrence of such event.</p> <p>No adjustments in the Conversion Price shall be required unless such adjustment would require a change of at least 1% in the Conversion Price; provided however that any adjustments that are not required to be made shall be carried forward and taken into account in any subsequent adjustment.</p>
Redemption:	<p>Hennabun may at any time by written notice to the Company redeem the whole or part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Note at an amount equal to 100% of the principal amount of the Convertible Note sought to be redeemed. The Company may also at any time by written notice to Hennabun redeem the whole or part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Note at an amount equal to 100% of the principal amount of the Convertible Note sought to be redeemed.</p> <p>Unless previously redeemed or converted into Conversion Shares, Hennabun will repay the outstanding principal amount of the Convertible Note on the Maturity Date.</p>
Transferability:	<p>the Convertible Note may not be transferred without the prior written consent of Hennabun and cannot be assigned. Any transfer of the Convertible Note shall be in respect of the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Note.</p>
Maturity Date:	<p>the first anniversary following the date of issue of the Convertible Note.</p>
Others:	<p>Hennabun shall from time to time keep available for issue, free from pre-emptive rights, out of its authorized but unissued capital sufficient Hennabun Shares to satisfy in full the conversion rights under the Convertible Note and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe Hennabun Shares.</p>
Listing:	<p>No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange.</p>

INFORMATION ON HENNABUN GROUP

Hennabun is a limited company incorporated under the laws of the British Virgin Islands and an investment holding company. Hennabun Group is principally engaged in security brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. As at the date of the Subscription Agreement, Hennabun has an authorized share capital of US\$500,000,000 divided into 5,000,000,000 Hennabun Shares of US\$0.10 each, and an issued share capital of US\$37,540,112.60 divided into 375,401,126 Hennabun Shares of US\$0.10 each.

Hennabun Group has only prepared unaudited consolidated management accounts for the year ended 31 December 2010 as at the date of this announcement. According to such unaudited consolidated management accounts, Hennabun Group has unaudited consolidated net assets of approximately HK\$1,606.5 million.

Further financial information of Hennabun Group is set out as below:

	For the year ended	
	31 December 2009	31 December 2010
	(HK\$' million)	(HK\$' million)
	(audited)	(unaudited)
Net profit(loss) before taxation	(59.2)	160.2
Net profit(loss) after taxation	(59.2)	160.2

ADDITIONAL INFORMATION

Assuming the exercise in full by the Company of its conversion rights under the Convertible Note, the Group will directly own (i) approximately 37.03% of the enlarged total issued share capital of Hennabun (assuming the conversion or other rights to subscribe for Hennabun Shares already granted by Hennabun to other parties are not exercised at all), or (ii) approximately 33.06% of the enlarged total issued share capital of Hennabun (assuming the conversion or other rights to subscribe for Hennabun Shares already granted by Hennabun to other parties are exercised in full) and will remain the second largest shareholder of Hennabun.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

Since the Company's previous announcement dated 3 March 2011 (the "3 March Announcement"), the Directors note that Hennabun has made a number of additional equity and equity-linked securities placements. As mentioned in the 3 March Announcement, the Company sees its investments in Hennabun as an integral part of its overall focus on the financial services sector. Furthermore, there is potential for co-operation between the Group and Hennabun Group going forward, including in the area of investment funds as described in the 3 March Announcement. The Convertible Note would allow the Company to maintain and strengthen its relationship with Hennabun as well as foster an environment conducive to continued co-operation.

The Directors hold a positive outlook for the securities and financial services industry. The Directors believe that subscribing for the Convertible Note is an effective means for the Company to participate in the vast opportunities and potential upside offered by this industry.

The Conversion Price of HK\$6 per Hennabun Share is the same as the issuance price/conversion price of the recent equity and equity-linked securities placements conducted by Hennabun (the share placement described in the Company's announcement dated 4 November 2010 and circular dated 3 December 2010 being the first of such placements), and is at a discount of approximately 21.8% to Hennabun's unaudited net book value of HK\$7.67 per Hennabun Share as of 31 December 2010.

The Subscription gives an option to the Company to convert the Convertible Note into Conversion Shares to capture any potential upside in Hennabun's performance, or have the Convertible Note fully repaid at the Maturity Date or before (if the conversion rights under the Convertible Note are not exercised).

The Subscription Price and the terms of the Subscription Agreement were negotiated on arm's length basis with reference to (i) the issue price/conversion price of the recent equity/equity-linked securities placements conducted by Hennabun, (ii) the unaudited net book value per Hennabun Share as mentioned above, and (iii) the historical performance and future prospects of Hennabun Group. On the basis of the matters described in this section, the Board of Directors believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL INFORMATION

The Group is principally engaged in the trading of securities, provision of finance, insurance brokerage business as well as investment holding.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Subscription (when added together with the subscription of Hennabun Shares as described in the 3 March Announcement) is more than 25% but less than 100%, the Subscription constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and accordingly, shall be subject to Shareholders' approval at the EGM by the way of poll.

EGM

The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders and its associates (as defined under the Listing Rules) has a material interest in the Subscription who is required to abstain from voting on the relevant resolution to be proposed at the EGM.

A Circular containing, amongst others, further information on the Subscription, together with the notice of the EGM, will be despatched to Shareholders on or before 29 July 2011 to allow sufficient time for the preparation of an accountants' report and other financial information for Hennabun in accordance with the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Board”	the board of Directors of the Company
“Business Day”	any day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
“Company”	Freeman Financial Corporation Limited (Stock code: 279), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on main board of the Stock Exchange
“Circular”	the circular to be despatched by the Company in respect of the Subscription
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Conditions”	conditions precedent contained in the Subscription Agreement for the Completion
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the date on which the conversion rights under the Convertible Note are exercised in accordance with the terms and conditions attached to or endorsed on the Convertible Note
“Conversion Period”	has the meaning as described under “The Convertible Note – Principal terms” in this announcement
“Conversion Price”	the conversion price of the Convertible Note of HK\$6 per Hennabun Share (subject to adjustments)
“Conversion Share(s)”	new Hennabun Share(s) to be issued upon exercise by the Company of the conversion rights under the Convertible Note
“Convertible Note”	the redeemable convertible note to be issued by Hennabun to the Company in the principal amount of HK\$250 million pursuant to the terms and conditions of the Subscription Agreement
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Hennabun”	Hennabun Capital Group Limited, a company incorporated in the British Virgin Islands
“Hennabun Group”	Hennabun and its subsidiaries
“Hennabun Share(s)”	ordinary shares US\$0.10 each in the capital of Hennabun
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	has the meaning as described under “The Convertible Note – Principal terms” in this announcement
“Outstanding Loan”	the outstanding loan of HK\$250 million owing by Hennabun Group to a wholly-owned subsidiary of the Company pursuant to the loan agreement entered into on 1 November 2010
“Subscription”	the subscription of the Convertible Note by the Company or its nominee(s) pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the Subscription Agreement dated 17 May 2011 entered into between Hennabun and the Company in relation to the Subscription
“Subscription Price”	the subscription price of HK\$250 million for the Convertible Note, to be satisfied by setting off the Outstanding Loan as set out in the terms and conditions of the Subscription Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$”

United States dollars, the lawful currency of United States of America

By order of the Board of
FREEMAN FINANCIAL CORPORATION LIMITED
Chow Mun Yee
Executive Director

Hong Kong, 17 May 2011

As at the date of this announcement, the Board comprises the following Directors:–

Executive Directors:

Dr. Yang Fan Shing, Andrew (*Chairman*)
Mr. Lo Kan Sun (*Managing Director*)
Mr. Hui Quincy Kwong Hei (*Managing Director*)
Ms. Au Shuk Yee, Sue
Mr. Scott Allen Phillips
Ms. Chow Mun Yee

Non-executive Directors:

Mr. Andrew Liu
Mr. Cheng Chi Ming, Brian
Mr. Liu Kam Fai, Winston

Independent non-executive Directors:

Mr. Gary Drew Douglas
Mr. Peter Temple Whitelam
Dr. Agustin V. Que
Mr. Yau Chung Hong